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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of)
Federal-State Joint Board on) CC Docket No. 96-45
Universal Service)
To: The Commission

Comments of National Retail Federation

The National Retail Federation ("NRF"), pursuant to Section 1.415 of the Commission's Rules,¹ hereby comments on the Commission's Notice of Proposed Rulemaking ("NPRM") in the captioned proceeding.² NRF responds to the Commission's request for comments on the definition of services to support by universal service support mechanisms,³ the requirement for explicit support mechanisms,⁴ and the designation of contributors.⁵

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1. 47 C.F.R. § 1.415.
 2. FCC 96-93, released March 8, 1996, 11 FCC Rcd ____ (1996).
 3. NPRM at ¶¶ 15-23.
 4. NPRM at ¶¶ 30.
 5. NPRM at ¶¶ 118-120.

I. INTRODUCTION

The NRF is the nation's largest trade group representing the retail industry. NRF represents the full spectrum of retailing, including the nation's leading department, chain, discount, specialty, and independent stores. NRF also represents several dozen national retail associations and all 50 state retail associations. NRF's membership represents an industry encompassing over 1.4 million retail establishments that employ nearly 20 million Americans.

On behalf of the members of our organization, NRF expresses its firm belief that basic telephone service should be available at affordable rates across the Nation. The Universal Service Fund ("USF") should be tailored to meet the needs of the unserved population without unduly burdening other communications users. Therefore, NRF supports the adoption of a narrow definition of universal service and explicit support mechanisms, and the collection of USF contributions only from those carriers who provide service directly to the public.

II. THE FUND SHOULD SUPPORT THE NATIONWIDE AVAILABILITY OF BASIC TELEPHONE SERVICE.

The Commission and the Joint-Board have undertaken a daunting task at Congress' direction to overhaul the universal service fund system. At the end of this process, however, current service availability, both in terms of quality and service penetration level, should not be jeopardized by undertaking to offer through universal service support mechanisms too wide an array of elaborate services. With this in mind, NRF

advocates a basic definition of supported telecommunications services. NRF specifically endorses the Commission's tentative conclusion that the "core" services should be voice grade access to the public switched network, touch-tone capability, single party service, and access to emergency and operator services.⁶ Once the arduous task of implementing the revised USF has been accomplished, the Commission may then undertake further review of service definitions, as directed by the Act.⁷

III. THE COMMISSION MUST NOT COLLECT HIDDEN UNIVERSAL SERVICE SUBSIDIES FROM INTERSTATE ACCESS CHARGES.

The Telecommunications Act of 1996 requires that universal support must be "explicit."⁸ Congress elaborated in the Conference Report that "all universal support should be clearly identified."⁹ Universal service subsidies, however, are currently hidden in interstate access charges.

The current separations process for access charges permits 25 percent of the local loop costs to be allocated to long distance service.¹⁰ Under this formula, local exchange carriers ("LECs") may allocate their costs disproportionately to interexchange carriers. The interstate access charges purportedly recover local loop costs attributable to use of the

6. NPRM at ¶¶ 16, 18-22.

7. 47 U.S.C. § 254(c).

8. 47 U.S.C. § 254(e).

9. H.R. Conf. Rep. No. 458, 104th Cong., 2d Sess. 131 (1996).

10. NPRM at ¶ 112.

network by interexchange carriers, but they also provide unspecified subsidies for intrastate services. Therefore, the existing access charge regime results in hidden subsidies, which is inconsistent with section 254(e).¹¹ Consumers pay for these universal service subsidies through increased interexchange rates. To satisfy the statutory requirement that universal support be "explicit," intrastate and interstate costs must be appropriately allocated and any retained universal service subsidies must be specified.

IV. PRIVATE NETWORK OPERATORS SHOULD NOT BE DESIGNATED AS USF CONTRIBUTORS.

USF contributions should be collected only from common carriers, i.e., those who benefit from serving the public by generating profits. Private networks established to facilitate communications within a company or corporate system do not fit within this category. Therefore, these private networks should not be classified as "telecommunications carriers," nor should the Commission require that they individually "contribute to the preservation and advancement of universal service" pursuant to Section 254(d).¹²

Operators of private networks for internal business purposes do not fall within the definition of "telecommunications carrier." These networks are not "provider[s]" who offer "telecommunications services" "for a fee directly to the public,"

11. 47 U.S.C. § 254(e).

12. See 47 U.S.C. § 254(d).

and their services are not "effectively available directly to the public."¹³ Operators of private networks already fund USF indirectly through their general use of and subsequent payment for telecommunications services. Double charging these entities for universal service is not in the public interest and is inconsistent with the Act.

V. CONCLUSION

For the foregoing reasons, the National Retail Federation respectfully requests that the Commission adopt a narrow definition of the services supported by universal service, detail explicitly all universal service subsidies, and exclude from the pool of contributors those private network operators who utilize their networks for internal business communications.

Respectfully submitted,



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13. 47 U.S.C. § 153(49), (51).

CERTIFICATE OF SERVICE

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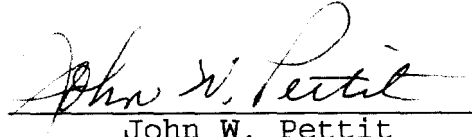
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